

Message Text

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SUBJ: IFI LOAN TO URUGUAY

REF: STATE 197686

1. ACODIKE SUPERGAS, S.A., A PRIVATELY OWNED AND OPERATED CORPORATION FOUNDED IN 1956 WHOSE STOCK IS HELD PUBLICLY, EMPLOYS ABOUT 140 PERSONS. CURRENTLY THE SOLE DISTRIBUTOR OF BOTTLED GAS IN URUGUAY, IT HAS 220,000 CUSTOMERS OF WHICH PERHAPS 7 PERCENT ARE INDUSTRIAL USERS. ITS CUSTOMERS ARE PRIMARILY HOUSEHOLDS USING ITS PRODUCTS FOR COOKING AND SPACE HEATING.

2. SINCE 1962 ACODIKE HAS BEEN SOLE, DISTRIBUTOR FOR THE STATE PETROLEUM MONOPOLY ANCAP, WITH ITS SUPPLY PRICE SET BY THAT AGENCY AND ITS RETAIL PRICE SET BY ANOTHER GOVERNMENT OFFICE. HOWEVER, BECAUSE OF A GOU GOAL OF GREATER COMPETITION IN THE "PERIPHERAL" AREAS OF GOVERNMENT ACTIVITY, BIDS WERE CALLED IN 1975 FOR TWO DISTRIBUTORSHIPS; ACODIKE SUPERGAS AND AN ARGENTINE FIRM, ALAGAS, WON, SIGNING CONTRACTS IN 1976. AS A RESULT, BOTH FIRMS ARE BUILDING NEW BOTTLING AND CHARGING PLANTS NEAR THE NEW ANCAP REFINERY IN LA TABLADA AND THE PRESENT FIRM WILL HAVE TO CEDE HALF OF ITS CUSTOMERS TO THE NEW ENTRANT. (U.S. COMPONENT VALUE IS ABOUT \$100,000 IN THE NEW SUPERGAS PLANT). FUTURE GROWTH OF THE MARKET IS EXPECTED
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TO BE MODERATE, BUT NEVERTHELESS THE TWO NEW PLANTS WILL PROVIDE A 40 PERCENT INCREASE IN TOTAL CAPACITY FOR THE COUNTRY.

3. IN THE SWITCH TO A DIVIDED DISTRIBUTION MARKET, THE PRESENT ACODIKE EMPLOYEES ARE EXPECTED TO BE MORE OR LESS DIVIDED BETWEEN ACODIKE AND THE INCOMING FIRM, WITHOUT A

SIGNIFICANT INCREASE IN TOTAL EMPLOYMENT. ACODIKE APPEARS TO BE A MODEL EMPLOYER OPERATING ITS DISTRIBUTION SYSTEM AT A RECOGNIZED EXCEPTIONAL LEVEL OF EFFICIENCY. IN DISCUSSING THEIR APPLICATION FOR IFC FINANCING WITH EMBOFFS, THE PRESIDENT AND DIRECTORS EMPHASIZED THAT THEIR FIRM IS A PRIVATE ENTERPRISE FULLY INDEPENDENT OF THE GOU WHICH PROVIDES A BASIC CONSUMPTION ITEM TO THE PUBLIC THROUGH HIGH-QUALITY SERVICE.

4. LOCAN DUN AND BRADSTREET DATED MAY 1977, AND BASED ON FINANCIAL STATEMENTS FOR FIRST HALF 1976, SHOWS A PUNCTUAL PAYMENT RECORD. AUTHORIZED CAPITAL WAS ONE MILLION NEW PESOS (\$270,000), WITH SUBSCRIBED CAPITAL AMOUNTING TO N\$300,000 (\$81,000). TOTAL COST OF THE NEW BOTTLING PLANT THE EMBASSY UNDERSTANDS WILL BE FOUR MILLION DOLLARS OF WHICH THE PROPOSED IFC PORTION WOULD APPROXIMATE THE NORMAL MAXIMUM OF TWENTY FIVE PERCENT WITH THE REST DERIVED FROM FIRM CAPITAL PLUS LOCAL FINANCING.
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